



BOARD OF DIRECTORS..... R. M. Barford
R. C. Berkinshaw LL.D.
G. R. Gardiner
M. S. Hartley
Miss M. P. Hyndman, Q.C.
F. R. Johnson
D. S. R. Leighton
J. K. Loudon
Jean Raymond, Q.C.
R. A. Stevens
Ben Wosk

OFFICERS..... R. M. Barford, *President*
F. R. Johnson, *Executive Vice-President*
G. M. Farquharson, Q.C., *Secretary*

SHARE TRANSFER AGENTS..... Preferred Shares, The Canada Trust Company
Common Shares, National Trust Company Limited

BANKERS..... The Bank of Nova Scotia

AUDITORS..... Clarkson, Gordon & Co.

GENERAL STEEL WARES LIMITED.. Head Office—Toronto, Ontario

Report of the Board of Directors

To the Shareholders:

Sales decreased during 1967 from \$48,943,000 to \$47,742,000 and operating results fell from a profit of \$290,000 to a loss of \$652,000. This loss was reduced by the profit from sale of assets surplus to our requirements amounting to \$315,000. The transfer of \$160,000 to income from the deferred income tax arose from the fact that your company wrote off assets at a faster rate during 1967 than that claimed for tax purposes. The resulting loss after these credits is \$177,000.

The Beatty and Housewares Divisions and GSW (U.K.) Ltd. had sales and profit contribution increases during the year. GSW (U.K.) Ltd. returned a profit after two years of losses. These gains were more than offset by decreases in the Appliance Division. These decreases were attributable to the start-up costs of our new laundry equipment, to falling total markets in products such as wringer washers where our share is substantial, and to other factors. We are planning on substantial gains in this division in 1968.

Duro Acquisition:

In September, your company acquired Duro Aluminum Ltd. of Hamilton, Ontario. This company has a long history of successful operation and makes a valuable addition to our Housewares Division.

Financial:

Working capital was reduced by \$297,000. Borrowing increased, as did receivables and inventories. The consolidation of Duro Aluminum Ltd. in the 1967 figures accounted for a large part of these increases.

Research & Development:

Products introduced during 1967 include a complete new line of pantryware from our Housewares Division, new automatic laundry equipment from our Appliance Division, improved domestic water pumps from the Beatty Division, and an expanded range of gas fired warm air heating units from GSW (U.K.) Ltd. Your company is continuing to develop new products for growing markets.

Several major tooling programs are now complete, and consequently expenditures now needed to sustain our development activities are lower. All tooling costs incurred have been expensed.

Divisions Now Complete Units:

During the year the Divisions' functions which were located in Toronto were transferred to Montreal, London and Fergus, and in the case of the Appliance Division, the general management and marketing personnel moved to London. Each of our four Divisions is now a self-contained business operation under the direction of a General Manager. The costs of completing these moves were written off during the year.

Board of Directors:

Mr. D. S. Johnson, who has made a substantial contribution as a Director of your company, resigned from the Board and his place was filled by Mr. J. K. Loudon, Vice-President of the American Management Association and a director of a number of companies. We are pleased to have his counsel.

General:

In summary, our Beatty, Housewares and GSW (U.K.) Divisions made good progress during the year, and given normal market conditions, we look for improvement in all Divisions in 1968.

The Board extends to all its employees its appreciation for their loyal support and co-operation throughout the year.

On behalf of the Board,

Rm Barford

Toronto, Feb. 29, 1968

President

Facts In Brief

GENERAL STEEL WARES LIMITED AND SUBSIDIARIES

	1967	1966
Net sales	\$47,742,162	\$48,942,704
Net profit (loss) for year	(176,700)	401,233
Charges to surplus — net	—	122,817
Dividends	154,591	162,025
Increase (decrease) in earned surplus for year	(331,291)	116,391
Bank loan and short term notes (less cash)	5,165,307	3,738,057
Total current assets	20,366,705	18,456,776
Total current liabilities	12,296,128	10,089,528
Ratio — current assets to current liabilities	1.7 to 1	1.8 to 1
Working capital	\$ 8,070,577	\$ 8,367,248

Consolidated Balance Sheet/December 31, 1967

(with comparative figures for 1966)

GENERAL STEEL WARES LIMITED and its subsidiary companies

(Incorporated under the laws of Canada)

ASSETS

	1967	1966
Current assets:		
Cash - - - - -	\$ 208,913	\$ 28,350
Accounts receivable, less allowance for doubtful accounts - - - - -	6,457,392	5,807,947
Inventories, valued at the lower of cost and market - - - - -	13,251,943	12,313,656
Prepaid expenses and manufacturing supplies - - - - -	448,457	306,823
Total current assets - - - - -	20,366,705	18,456,776
Mortgage receivable - - - - -	214,100	266,700
Fixed assets:		
Land, buildings and equipment, at cost - - - - -	17,277,858	15,969,050
Less accumulated depreciation - - - - -	13,581,371	11,978,794
	3,696,487	3,990,256
Other assets:		
Excess of cost over net book value of assets acquired from Beatty Bros. Limited, less amortization - - - - -	1,560,000	1,657,500
Licence and tooling in connection with a new business acquired, less amortization - - - - -	116,000	216,000
Engineering, tooling and patent cost, less amounts written off - - - - -	1	1
	1,676,001	1,873,501
	<u>\$25,953,293</u>	<u>\$24,587,233</u>

On behalf of the Board:

R. M. BARFORD, Director

R. A. STEVENS, Director

LIABILITIES

	1967	1966
Current liabilities:		
Bank indebtedness - - - - -	\$ 674,220	\$ 366,407
Short term notes - - - - -	4,700,000	3,400,000
	<u>5,374,220</u>	<u>3,766,407</u>
Accounts payable - - - - -	5,740,294	5,481,523
Income and other taxes payable - - - - -	693,036	349,601
Dividends payable - - - - -	37,683	39,520
Due to Beatty Bros. Limited - - - - -	265,895	264,477
Sinking fund instalments of funded debt due within one year - - - - -	185,000	188,000
Total current liabilities - - - - -	<u>12,296,128</u>	<u>10,089,528</u>
Provision for warranties - - - - -	500,000	500,000
Funded debt (note 2) - - - - -	3,029,000	3,235,000
Accumulated tax reductions applicable to future years - - - - -	—	180,500
	<u>15,825,128</u>	<u>14,005,028</u>
Shareholders' equity:		
5% cumulative preferred shares of \$100 each redeemable at \$105—(note 5)		
Authorized, less redeemed: 55,066 shares		
Outstanding: 30,146 shares - - - - -	3,014,600	3,161,600
Common shares without nominal or par value—		
Authorized: 1,000,000 shares		
Outstanding (note 5): 628,939 shares - - - - -	4,405,494	4,405,414
Contributed surplus - - - - -	134,736	110,565
Earned surplus (note 5) - - - - -	2,573,335	2,904,626
	<u>7,113,565</u>	<u>7,420,605</u>
Total shareholders' equity - - - - -	<u>10,128,165</u>	<u>10,582,205</u>
	<u>\$25,953,293</u>	<u>\$24,587,233</u>

See accompanying notes to financial statements

Consolidated Statements of Earned Surplus and Contributed Surplus

YEAR ENDED DECEMBER 31, 1967 (with comparative figures for 1966)

GENERAL STEEL WARES LIMITED and its subsidiary companies

EARNED SURPLUS

	1967	1966
Balance, beginning of year - - - - -	\$ 2,904,626	\$ 2,788,235
Add:		
Net profit (loss) for the year - - - - -	(176,700)	401,233
Reserve for future tooling cost, no longer required - - - - -	—	250,000
	<u>2,727,926</u>	<u>3,439,468</u>
Deduct:		
Dividends on preferred shares - - - - -	154,591	162,025
Excess of cost of common shares of The Easy Washing Machine Company, Limited over the book value thereof at dates of acquisition - - - - -	—	507,245
Less gain on sale of Easy plant - - - - -	—	134,428
		<u>372,817</u>
		534,842
Balance, end of year- - - - -	<u>\$ 2,573,335</u>	<u>\$ 2,904,626</u>

CONTRIBUTED SURPLUS

Balance, beginning of year - - - - -	\$ 110,565	\$ 88,501
Add profit on purchase of preferred shares - - - - -	24,171	22,064
Balance, end of year- - - - -	<u>\$ 134,736</u>	<u>\$ 110,565</u>

Consolidated Statement of Profit and Loss

YEAR ENDED DECEMBER 31, 1967 (with comparative figures for 1966)

GENERAL STEEL WARES LIMITED and its subsidiary companies

	1967	1966
Net sales- - - - -	\$47,742,162	\$48,942,704
Less cost of sales, selling and administrative expenses before providing for the undernoted items - - - - -	<u>46,898,622</u>	<u>47,131,020</u>
	843,540	1,811,684
Interest on funded debt - - - - -	135,451	158,174
Interest on other loans - - - - -	387,703	411,832
Depreciation and amortization - - - - -	874,437	854,322
Amortization of excess cost of Beatty Bros. assets acquired - - - - -	<u>97,500</u>	<u>97,500</u>
	1,495,091	1,521,828
Net operating profit (loss) before income taxes and special items - - - - -	(651,551)	289,856
Gain on fixed asset disposals - - - - -	314,851	167,414
Write off of portion of investment in a small subsidiary - - - - -	—	(56,037)
Accumulated tax reductions no longer required (note 3) - - - - -	160,000	—
Net profit (loss) for the year - - - - -	<u>\$ (176,700)</u>	<u>\$ 401,233</u>

See accompanying notes to financial statements

Consolidated Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1967 (with comparative figures for 1966)

GENERAL STEEL WARES LIMITED and its subsidiary companies

	1967	1966
Funds were applied to:		
Net book value of fixed assets acquired on purchase of a subsidiary (note 1) - - - - -	\$330,638	\$ —
Purchase of fixed assets (net) - - - - -	149,950	697,909
Redemption of preferred shares - - - - -	122,829	206,894
Preferred share dividends - - - - -	154,591	162,025
Redemption of funded debt - - - - -	206,000	476,000
	<u>964,008</u>	<u>1,542,828</u>
Funds were derived from:		
Operations—		
Net profit (loss) for the year - - - - -	(176,700)	401,233
Add:		
Depreciation and amortization - - - - -	874,437	854,322
Amortization of excess cost of Beatty Bros. assets acquired - - - - -	97,500	97,500
Reduction in accumulated tax reductions applicable to future years - - - - -	(180,500)	—
Decrease in provision for warranties - - - - -	—	(100,000)
	<u>614,737</u>	<u>1,253,055</u>
Mortgage payments received - - - - -	52,600	—
Gain on sale of land and buildings (less mortgage) (less portion included in net profit) - - - - -	—	284,160
	<u>667,337</u>	<u>1,537,215</u>
Net decrease in working capital - - - - -	<u>\$296,671</u>	<u>\$ 5,613</u>

Notes to the Consolidated Financial Statements

YEAR ENDED DECEMBER 31, 1967

GENERAL STEEL WARES LIMITED and its subsidiary companies

1. Subsidiary companies consolidated

The consolidated financial statements reflect a consolidation of General Steel Wares Limited and its subsidiaries, The Easy Washing Machine Company, Limited, General Steel Wares (U.K.) Ltd., Beatty Bros. Incorporated, Duro Aluminum Limited and several other small subsidiaries. Duro Aluminum Limited was acquired during the year and its assets and liabilities, at December 31, 1967 and the results of its operations from the date of acquisition are included in these financial statements.

The consolidated financial statements reflect the translation of pounds sterling into Canadian dollars at £1 equals \$2.60 for 1967; £1 equals \$3.00 for 1966.

2. Funded debt

Details of this debt are as follows:

	Outstanding	Sinking fund instalment due within one year	Net
General Steel Wares Limited—			
First Mortgage Bonds:			
Series "A"—3½%, due May 1, 1970	\$1,826,000	\$112,000	\$1,714,000
Series "B"—5%, due April 15, 1973	1,388,000	73,000	1,315,000
	<u>\$3,214,000</u>	<u>\$185,000</u>	<u>\$3,029,000</u>

The total amount of General Steel Wares bonds authorized was \$8,000,000. Of these, \$1,500,000 have not been issued.

3. Income taxes

The company follows the policy of writing off expenditures on tooling as incurred. In filing its tax returns for 1967 it intends to defer a substantial portion of these expenditures as undepreciated capital cost of tooling. As a result of this and writing depreciation in the accounts in excess of that claimed for income tax purposes, \$160,000 of accumulated tax reductions applicable to future years which were set up in prior years is no longer required.

4. Fees and salaries

Aggregate remuneration to directors and senior officers was \$147,413 for 1967 and \$158,656 for 1966.

5. Capital stock

During the year 1,470 preferred shares were purchased for cancellation. As a result of this and prior years' purchases an aggregate \$1,391,600 of the earned surplus is designated as capital surplus under section 61 of the Canada Corporations Act. Ten common shares were issued during the year.

Auditors' Report

To the Shareholders of
General Steel Wares Limited:

We have examined the consolidated balance sheet of General Steel Wares Limited and its subsidiary companies as at December 31, 1967 and the consolidated statements of profit and loss, earned surplus, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1967, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 9, 1968.

Clarkson, Gordon & Co.
Chartered Accountants

The Divisions of the Company

and the products they market

APPLIANCE DIVISION

London, Ont. and Fergus, Ont.

GSW-McClary and Beatty refrigerators
electric ranges and freezers
GSW-Easy and Beatty Automatic washers and dryers
wringer washers
GSW-Fedders air conditioners
Easy coin laundry equipment
Belwood freezers
metal lockers
fire doors
hollow metal doors
toilet and shower partitions

HOUSEWARES DIVISION

Montreal P.Q., Hamilton and London, Ont.

porcelain enamelware
aluminum and stainless steel cooking utensils
pantry ware
galvanized ware and other metal household products
domestic gas and electric water heaters
range boilers

BEATTY DIVISION

Fergus, Ont.

mechanical feeding equipment
silo unloaders
gutter cleaners
manure spreaders
steel pens and stalls
Beatty and McDougall domestic water pumps
and equipment
Medallist tanks
Beatty Gator boat trailers and toboggan trailers
Lovell wringers for laundry equipment

GSW (UK) LTD.

Hatfield, UK.

McClary warm air gas furnaces
McClary coin-operated gas dryers
McClary coin-operated laundry equipment